

The President's Daily Brief

February 27, 1976

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Top Secret

Exempt from general
declassification schedule of E.O. 11652
exemption category 5B(1)(2)(3)
declassified only on approval of
the Director of Central Intelligence

February 27, 1976

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At ANNEX we present a dollar comparison of Soviet and US defense activities.

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USSR-TURKEY

The first known visit by Soviet navy ships to a Turkish port is taking place this week.

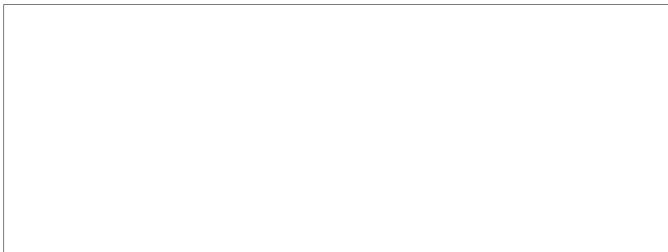
Two naval hydrographic research ships arrived at Antalya in southern Turkey on Monday and are expected to stay until Saturday. The visit underscores the Soviet navy's continuing policy of showing the flag wherever possible around the Mediterranean.

The visit appears to be part of broader contacts between the USSR and Turkey. The port call follows by two months Soviet Premier Kosygin's trip to Ankara. Turkish officers were invited--under the terms of the Helsinki agreement--to attend Soviet military maneuvers in the Caucasus earlier this month, and General Kenan Evren, the deputy chief of the Turkish General Staff, reportedly has been invited to visit Moscow this spring.

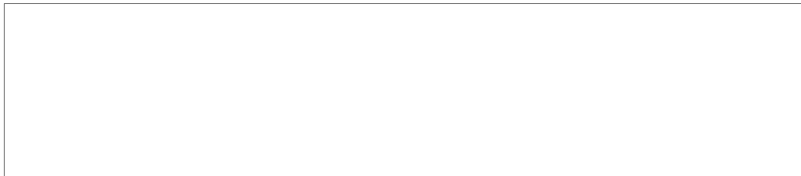
Since late 1975, the Soviets have been involved in low-key efforts to exploit Turkish-US friction. The Turks have been receptive to the Soviet overtures, in part because of the growing acceptability of detente and in part out of a desire to remind the US that it cannot take Turkey for granted.

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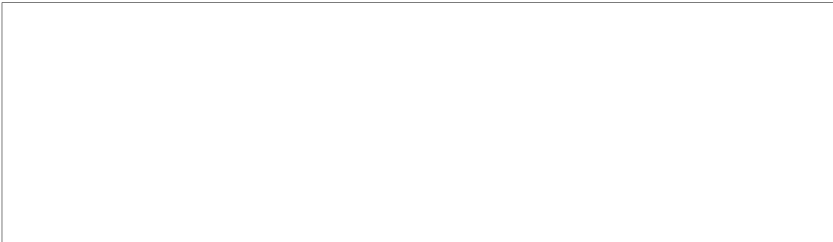
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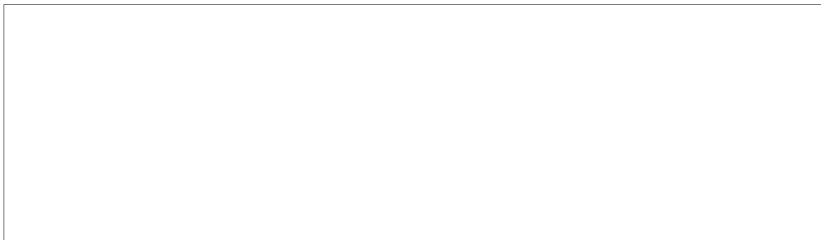
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USSR

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ARGENTINA

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Eight Cuban ships are en route to the Congo-Angola area or have recently arrived. The voyages now under way will bring to 25 the number of such trips since the beginning of the year.

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Portuguese political parties and military leaders yesterday signed an agreement to return the country to civilian rule.

Preliminary reports on the pact indicate that the president will have wide-ranging powers to oversee a parliamentary system of government. Several political parties are expected to support the candidacy of a military officer for president in order to ease the transition to civilian rule. The president is to be chosen by direct popular election no sooner than two months after the parliamentary election. The only political responsibilities left to the military will be to advise the president and to guarantee the operation of the elected government.

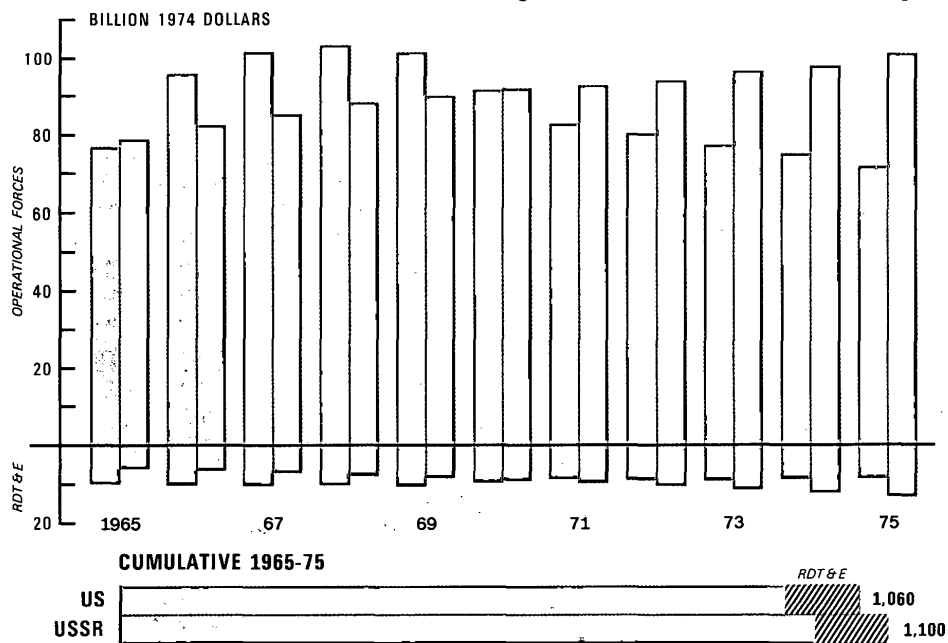
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The Organization of Petroleum Exporting Countries can be expected to institute another general price increase in July unless the Saudis are willing to expend a good deal of political capital to prevent it.

Iran and its supporters are likely to press hard for an increase of 10 percent or more and may demand a further OPEC price review at the end of the year. Venezuela and Iran now face worse financial prospects than they did last September, when they led a drive that resulted in a 10-percent price hike. Both countries are beset by sharply reduced liftings of heavy crudes, and both feel they are in a revenue squeeze.

US Expenditures and Estimated Dollar Costs of Soviet Defense Programs

Figure 1



NOTE: The dollar figures for the USSR are estimates of what the Soviet forces and programs would cost if developed, purchased and operated in the US. For operational forces the figures are obtained by costing directly individual Soviet forces and programs. The estimated dollar costs of Soviet RDT&E are derived in the aggregate using a less certain methodology and should be viewed only as rough measures. For this reason they are shown separate from the dollar costs of operational forces. The US defense expenditure series is based on Total Obligational Authority (TOA) data from *The Five-Year Defense Program*, January 1978 (Department of Defense). The US data are in fiscal year terms and the estimated dollar costs of Soviet programs are in calendar year terms.

DOLLAR COMPARISON OF SOVIET
AND US DEFENSE ACTIVITIES

In this annex we present the results of CIA's latest "dollar cost" comparison of Soviet and US defense activities. This comparison provides a general appreciation of the relative size and trends of the defense programs in the two countries during the past decade. The approach is to estimate how much individual Soviet military programs would cost in dollars if they were reproduced in the US, and then to compare these estimates with US defense expenditures. All values are given in constant US 1974 prices to cancel out the effect of inflation and show magnitudes and trends in real terms.

A note of caution: this cost analysis does not measure actual Soviet defense expenditures or their burden on the economy. These questions are addressed by different analytical techniques yielding estimates of the ruble costs of Soviet military programs. Also, dollar cost figures alone are not a valid index of military capabilities.

The overall trend in recent years, as illustrated in Figure 1, is a widening gap between the growing dollar costs of Soviet programs and diminishing US defense authorizations. The estimated dollar costs of Soviet defense programs have increased continuously at an average rate of about 3 percent per year over the period 1965-1975. The US, in contrast, has experienced a decline in defense authorizations (expressed in constant dollars) since the peak of 1968, and in 1975 they were lower than they were a decade earlier.

The crossover point was in 1970, when the estimated dollar costs of Soviet defense programs were about equal to US defense authorizations. After that the Soviet total moved increasingly into the lead, and by 1975 it was more than 40 percent higher than the comparable US authorization. (If the costs of pensions are subtracted from both sides, the gap would be closer to 50 percent.) Because of the initial US lead reflecting large Vietnam

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costs, however, the estimated dollar costs of Soviet defense programs for the entire period are not significantly different from the cumulative US total.

In Figure 1, the costs of Research, Development, Testing, and Evaluation (RDT&E) are segregated from those of other programs because the analytical problems involved in estimating the dollar costs of Soviet RDT&E are much more difficult than for the other elements of Soviet defense and the uncertainty in these estimates is substantially higher.

To give an appreciation of the composition of the dollar costs of the defense programs (including nuclear warheads) of each country we have developed comparisons by military missions and by resource categories. (Figure 2.) For comparative purposes, the Soviet estimates are shown as a percent of US defense expenditure authorizations in each year.

Comparisons by Mission

Intercontinental Attack. The estimated dollar costs of Soviet intercontinental attack programs, excluding RDT&E costs, have exceeded the US figures since 1966, when deployment programs for most of the current US systems had been completed. This trend reflects the ambitious Soviet programs for fielding new strategic missile systems which began in the mid-1960s and have continued unabated to the present. For the 1965-75 period as a whole, the estimated dollar costs of these Soviet programs were about 50 percent greater than the US level and in 1975 were twice as large.

Most of this disparity is accounted for by the heavy and continuing Soviet emphasis on ICBMs. Over the entire period Soviet ICBM program costs, expressed in dollar terms, were more than four times higher than the comparable US figure, and in 1975 they were seven times the US level. In their ballistic missile submarine programs, estimated Soviet dollar costs begin to exceed US totals in 1968, and in 1975 they were 30 percent greater.

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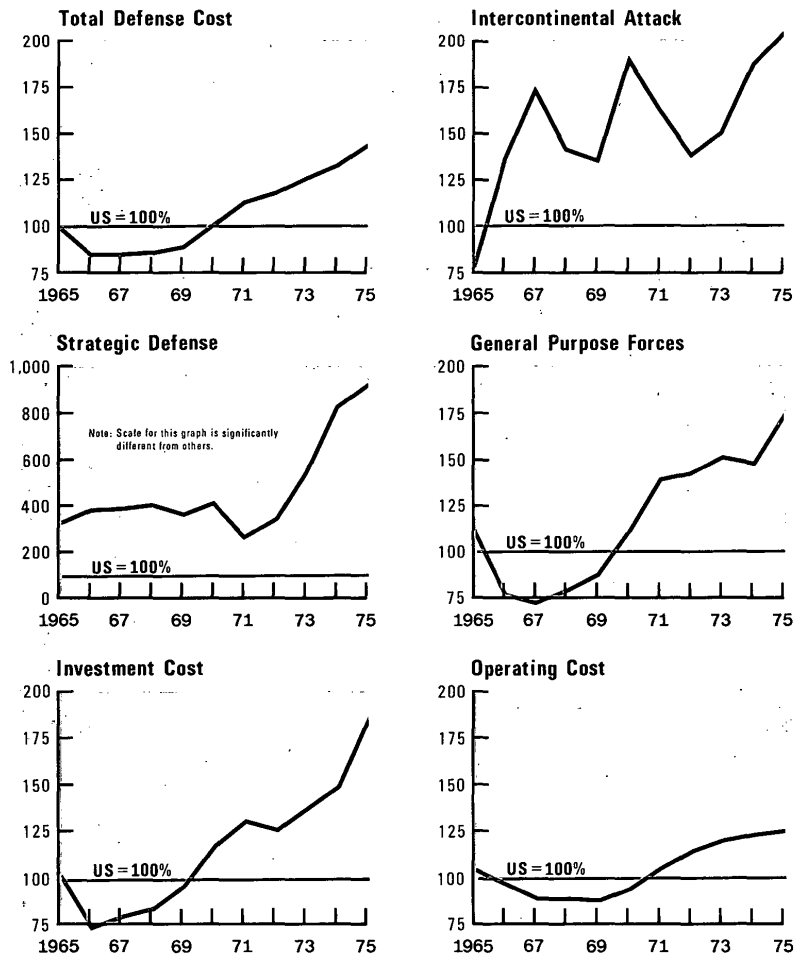
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Dollar Cost of Soviet Programs as a Percent of US Defense Expenditures*

Figure 2

1974 DOLLAR VALUES



*Department of Defense Total Obligational Authority data have been adjusted to attain comparability with the Soviet data.

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These differences are offset to some extent by the consistently greater emphasis the US has given to intercontinental bombers. The estimated dollar costs of Soviet intercontinental bomber programs have averaged only about one fifth the US total during the entire period.

Strategic Defense. The Soviet Union has traditionally maintained much larger strategic defense forces than the US. The cumulative dollar costs of Soviet programs over the 1965-75 period were four times the US figure, the biggest difference being in surface-to-air missile and fighter-interceptor programs. By 1975, the ratio reached approximately nine to one.

General Purpose Forces. The estimated dollar costs of Soviet general purpose forces surpassed the level of the US in 1970. In 1975 they exceeded the US by 70 percent. The US level grew rapidly during the Vietnam involvement but by 1971 had declined to the 1965 level.

Among the factors that account for this disparity, the most significant one is the much larger size of Soviet ground forces--particularly in manpower. The estimated dollar costs of Soviet ground forces were three times the US figure in 1975. In general purpose naval forces, the 1975 figure for the Soviets is about 25 percent higher than for the US. Soviet tactical air forces have grown rapidly since 1970, but their estimated dollar costs were still less than three quarters of the US level in 1975.

Command, Support, and Other. This covers activities involved in command and general support, as well as all other activities--except RDT&E--which cannot be allocated among combat missions. It also includes nuclear weapons programs. The trends in dollar costs for this category parallel those of the combat missions, and in 1975 the dollar costs for Soviet programs were slightly higher than those of the US.

Comparison by Resource Category

Dollar costs of military forces can also be expressed in terms of investment and operating costs.

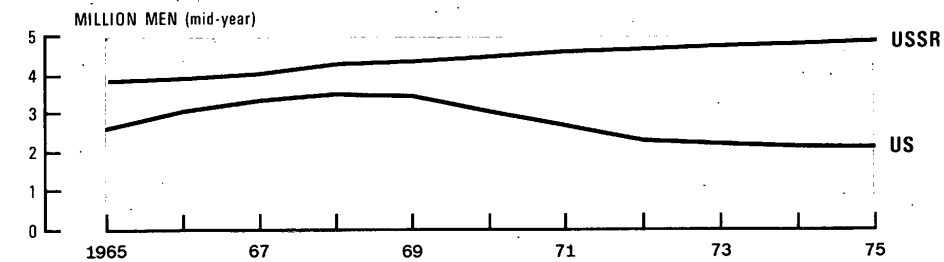
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Figure 3

US and Estimated Soviet Active Military Manpower



NOTE: The manpower series for the USSR includes border guards, internal security troops, and construction troops, for which the US Armed Forces have no counterpart.

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Investment. It is in this category, involving investment in new military equipment and facilities, that Soviet and US dollar-cost trends have diverged the most sharply. The estimated dollar costs of Soviet military investment programs (excluding RDT&E) have exceeded the US level for comparable programs since 1970. The dollar costs of Soviet investment have risen rapidly, beginning in 1973. US authorizations have declined sharply in the wake of the Vietnam buildup. The estimated costs of Soviet investment programs in 1975 exceeded the 1972 level by 15 percent, while US authorizations in 1975 were nearly 25 percent less than in 1972. In 1975, the estimated investment costs of Soviet programs were 85 percent greater than those of the US.

One of the key factors here has been the procurement of new generation Soviet ICBMs beginning in 1973, while US procurement of missiles has declined. The estimated dollar procurement costs for Soviet missile systems in 1975 were about three and a half times higher than those of the US. Similarly, the dollar costs of Soviet aircraft procurement have remained high while that of the US had dropped, and in 1975 the Soviet figure was 30 percent higher than the US total. In the procurement of naval ships, the dollar-cost estimate for the Soviets in 1975 was 90 percent higher than for the US.

Operating Costs. The major component of operating costs is the cost of military personnel. The estimated level of Soviet military manpower has exceeded that of the US in every year from 1965 to 1975. (Figure 3.) Soviet military manpower grew about 1 million men during the period. Most of this increase has been in the ground forces, although there were some increases in strategic forces as well. On the other hand, US manpower in 1975 was below its 1965 level.

The Soviets have historically maintained a large military force with a broader range of responsibilities than the military has in the US. The Soviet manpower series includes border guards, internal security troops, and construction troops--activities for which the US has no counterparts. The Soviet manpower total is higher than that of the US throughout the period, however, even if these forces are excluded.

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